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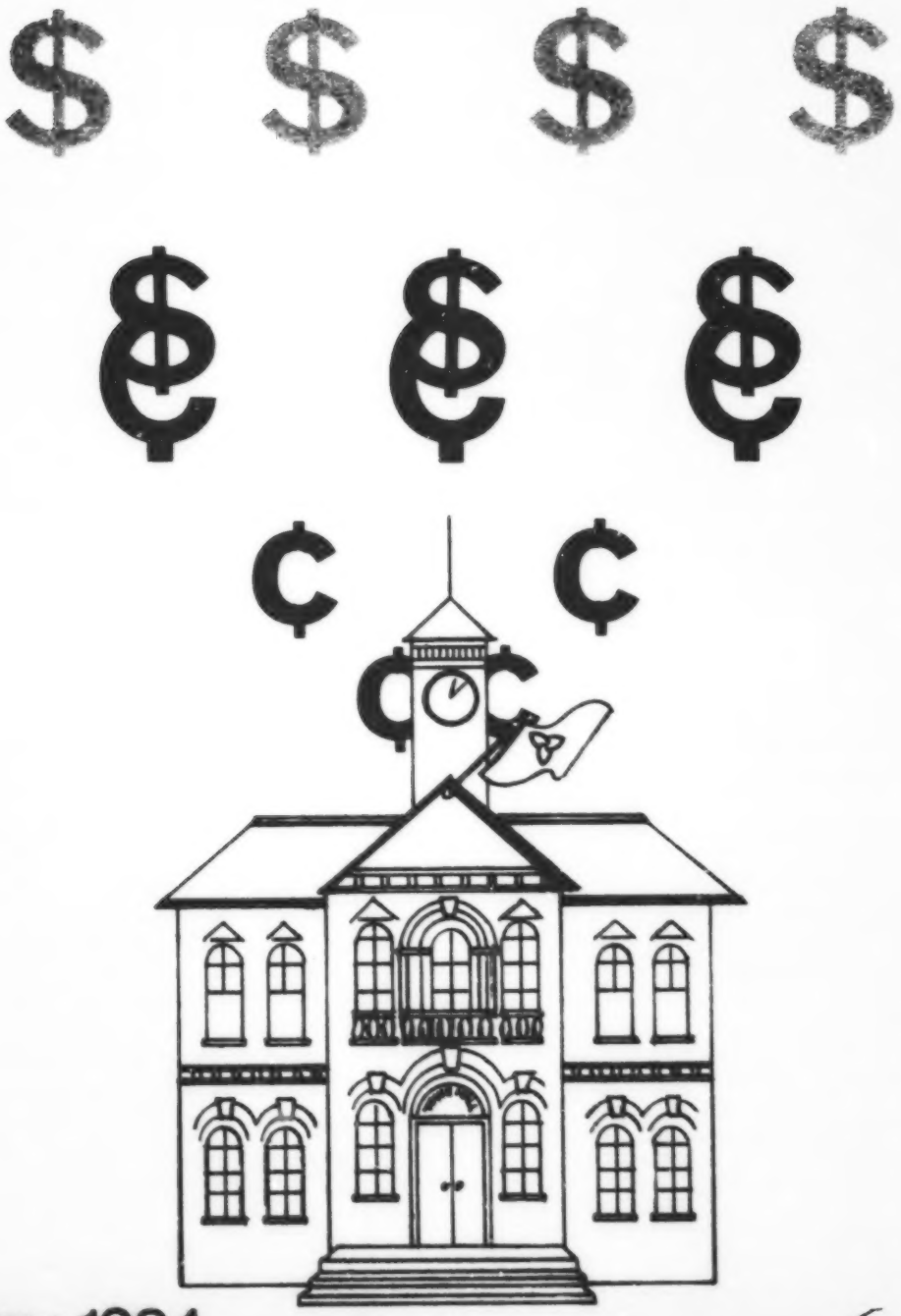
Managing Capital Spending



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Managing Capital Spending

Features of a Capital Works Management System

Ontario

Ministry of Municipal Affairs and Housing

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Deputy Minister

January 1984

OVERVIEW

This publication prepared by Professor John T. Bart of Brock University summarizes the proceedings of a workshop sponsored by the Ontario Ministry of Municipal Affairs and Housing.

The workshop brought together representatives of the Ministry and those of seven Ontario municipalities which have, and are developing, progressive systems for managing capital spending. Municipal representatives were from the:

City of London	City of Toronto
City of Mississauga	Regional Municipality of Ottawa-Carleton
City of Ottawa	Regional Municipality of Peel
Borough of Scarborough	

Three broadly defined areas of capital works management systems were the focus of presentations made during the workshop:

A. The Content of a Capital Works Program

B. Processing Capital Projects

C. Management of Capital Works

As well, participants were asked to identify problem areas and needed improvements to their capital works management systems.

During the workshop it became apparent that various municipalities had developed - or were developing - an extensive expertise with one or more of the elements of their capital management system. It was also evident that a considerable diversity exists in the approach to, and details of, these elements in the participating municipalities. This diversity has the potential of providing other local governments with a basis for beginning an appraisal of their capital works management systems. Municipalities are encouraged to review the elements of their systems and to assess the extent to which the related issues have been addressed and resolved at their political and administrative levels.

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INTRODUCTION

During the workshop, participants exchanged information in respect to the major features of the capital spending systems operating in their municipalities. This exchange of information - and the discussion it provoked - fulfilled two major objectives of the workshop. First, it provided participants with an increased awareness of the state-of-the-art of managing capital spending in larger Ontario municipalities. Secondly, the workshop provided an opportunity to identify those issues which municipalities, in general, might usefully address in appraising their system for managing capital works. Consequently, this publication sets out a number of politicial and administrative issues which need to be addressed and resolved by local governments to ensure the effective allocation of their capital resources.

A. THE CONTENT OF A CAPITAL WORKS PROGRAM

The content of a capital works program is the result of policy-level decisions regarding: (1) the scope of capital works desired and needed; and, (2) the choice and availability of funding alternatives. Policy issues raised in the context of these decision areas are considered below.

The Scope of a Capital Works Program

The broad outlines of a capital works program emerge from an array of approved municipal policy documents. Official Plans, Central Area Plans, Parks Plans, Transportation Plans, Waterworks Plans, etc. all authorize municipal staffs to develop and propose 'new' and 'replacement' capital projects and programs. These documents often contain a wide variety of policy guidelines which direct staff initiatives in bringing forward capital proposals. Guidelines may relate the physical infrastructure of the municipality to various population parameters. For example, the City of Toronto has a long-standing policy of providing neighbourhood parkland at the rate of 0.9 acres per 1,000 population and district parkland at the rate of 0.5 acres per 1,000 population. Similarly, the City of Mississauga has specified the need to provide fire stations, arenas, libraries, etc., in terms of incremental expansions to its population base.

Participants indicated that periodic review and updating by staff and council of policy guidelines ensures that capital spending plans reflect the changing needs of the community. In particular, participants noted the changing nature of capital spending in municipalities experiencing reductions in residential and industrial expansion. In these situations, capital projects involving the replacement of obsolete and worn-out facilities were assuming greater importance in capital programs than in more expansionary times.

In addition to governmental initiatives, private-sector development proposals - drawing upon the contents of policy documents - create a demand for capital works in underdeveloped areas of the municipality. The sporadic emergence of these proposals will have a considerable influence on the choice, timing and size of capital works activities contained in any one, or series of, capital budgets. As well, the availability of provincial funding (reflecting provincial preferences) for various types of municipal services (transportation, environment, health, etc.) is a major force behind the definition of capital works spending. Invariably municipalites indicated a high preference for spending so-called "25", "50", or "75" cent dollars on capital works activities.

Taken together, municipal policies, private-sector proposals and provincial initiatives represent the major driving forces behind the contents of capital works programs. Municipal councils, with guidance from their appointed staffs, were identified as having the responsibility for balancing these forces to arrive at a pattern of capital spending which is consistent with the politically-determined 'best interests' of their constituents. This 'balancing' function raised what was considered to be a major issue for municipalities to resolve before they could achieve effective capital spending. Specifically,

> What initiatives might be taken to ensure that a thorough reconciliation is made, at the political level, of the competing forces 'driving' capital spending?

Resolution of this issue was noted as being particularly challenging for municipalities. Discussants observed that councils and staffs are often less concerned or actively involved with capital spending plans than operational spending. Furthermore, broadly-based citizen input at the policy-making level is generally not significant nor enthusiastically sought out. (The City of Ottawa and the City of Toronto noted that they had begun to experiment with obtaining citizen

input.) In addition, considerable ambiguity exists regarding the appropriate roles of council, staff and others in taking initiatives to encourage a more rigorous, political reconciliation of the various forces driving capital works. Finally, participants indicated a clear recognition of the need for a comprehensive and clearly-understood set of policy statements to guide the development and execution of well-balanced capital spending. Not all of the participating municipalities have such documentation on a departmental or corporate-wide basis. The costs of producing this documentation were noted as likely to be significant.

In considering these challenges to the definition of a capital works program the viewpoint emerged that capital appropriations may often reflect developer and provincial interests more so than those of local residents.

Funding Alternatives

The issue of funding capital works was noted to be so intimately related to that of determining the nature of capital works that these two issues must be considered and resolved concurrently. The primary funding issue can be stated as:

> What mechanism or processes might be initiated (and by whom) in local governments to ensure that a fully-informed determination is made of the debt level that is appropriate for a particular municipality?

While the Ontario Municipal Board (O.M.B.) provides general guidelines for a municipality's borrowing limit, the actual debt level is to a considerable extent a matter of discretion for individual municipalities. When there is a substantial difference between a municipality's debt level and its debt limit, policy guidelines may preclude the municipality from drawing upon all of its debt capacity. Both the City of London and the City of Ottawa indicated that policies on minimizing year-to-year mill rate increases attributable to debt charges or greater or less emphasis on pay-as-you-go contributions will directly influence a municipality's dependence on long-term debt.

Participants also indicated that the O.M.B. guidelines may be subject to negotiation in the light of a municipality's economic conditions and needs. For example, the Regional Municipality of Peel has developed an "affordability criterion" for capital works which maintains projected debt service charges at, or slightly below, 25% of the municipality's projected "own-account" revenue in a particular year.

Participants were unanimous in noting a greater emphasis currently being accorded to pay-as-you-go policies for funding all, or part of, the municipal portion of capital programs and projects. Such a policy was viewed as particularly appropriate in response to the currently high level of interest rates and uncertainty about the ability of capital markets to absorb long-term debenture maturities.

It is evident that there is considerable variability in the implementation of pay-as-you-go policies across municipalities. For example, during the period 1970-1980, the City of Ottawa provided approximately $50 million from "current fund capital levies" to pay for capital needs. Taking pay-as-you-go even further, the City of Mississauga, (which has experienced, and is continuing to experience, rapid growth in its assessment base) has been funding its entire net capital spending from tax-based revenues and development levies since 1979.

The extent to which municipalities envoke a pay-as-you-go policy or rely on debenture debt varies according to the existence of implicit or explicit policy guidelines. These include: maintaining a constant or declining amount of debenture debt; debenturing only new additions to 'plant' and charging current revenue for the replacement of existing plant; charging some pre-determined percentage of all capital costs to current revenue and debenturing the remaining amount (net of subsidies); maintaining a constant capital levy rate for capital projects; utilizing lot levies to fund hard services; and others. Maximization of provincial subsidies was a most frequently encountered complementing guideline.

Currently, the development of funding guidelines is predominantly a staff activity. While councils generally endorse guidelines proposed by staff there was little indication that elected members actively evaluated alternative formulae for determining the level of debt that citizens were prepared to accept.

Summary

The material presented and the discussions relating to the definition of capital works programs can be summarized with a position advanced by the Canadian Comprehensive Auditing Foundation. The Foundation maintains, and has considerable support for, the view that while there is some merit in doing the right things only modestly well, there is absolutely no merit in doing the wrong things well. In managing a capital works program there is a clear requirement to improve

the determination - at the political level - of the 'right' programs and financing methods. Resolution of these effectiveness issues are a prerequisite to concerns for the efficient use of capital resources.

B. PROCESSING CAPITAL PROJECTS

The major features of the management process used to plan capital works activities provided a second focus for the workshop. While many features were reported upon, three dominated presentations and discussion. They were: (1) the identification of individual capital projects; (2) prioritization techniques; and, (3) obtaining project approvals. Participants' views on these features and the issues which they raised are outlined in the following sections.

Identifying Individual Projects

The identification of individual capital projects to accommodate provincial, private-sector and citizen interests is largely a staff responsibility discharged on a departmental/functional basis. The earlier noted policy statements of council, service-level decisions and technical studies result in road resurfacing progams, sewer separation programs, park development programs, etc. in specific locations throughout the municipality. In addition, negotiations among senior departmental/functional managers were indicated as influencing at least the total amount of capital spending proposed in departmental requests.

The involvement of elected members in the promotion of specific departmental projects varies widely and raised the following issue.

> How can a municipality's process of identifying capital works projects be structured to accommodate both technical and citizen considerations?

This issue arises in many municipalities in part because of an unsatisfactory balancing of the various forces driving capital spending. Where citizen interests are not perceived to be adequately reflected in capital spending plans - in relation to provincial and private-sector interests - then a need emerges for elected members to attempt to influence capital spending on a parochial basis.

Participants indicated that a municipality's organizational structure could be used to facilitate the incorporation of political preferences in capital works. Where a municipality's functional responsibilities are managed by committees which include elected members a potential exists for departmental proposals and approved budgets to contain projects preferred for 'political' as well as 'technical/professional' reasons. Where a committee-of-the-whole manages functional responsibilities parochial preferences were perceived to be less evident. In this situation, elected members may have a more limited 'power' base from which to negotiate 'neighbourhood' considerations among themselves than when politically-led functional committees are in place.

Even without overt political influence in the determination of departmental proposals a perception may exist at the staff level for proposed capital works which give all areas (or even groups within the municipality's jurisdiction) a 'fair share' of capital spending at least in the longer term. The perception of this requirement was expected to be most evident in municipal governments where members are elected 'at-large'.

Project selection was noted as being complicated by a high degree of 'project mobility' within the capital spending time-frame. By 'project mobility' is meant the moving of project implementation from one year to another, i.e. flexibility in timing of projects. All participating municipalities develop at least a five-year capital spending plan with specific projects indentified for commencement in various years of the plan. Typically, those projects scheduled to begin in the first-year of the plan become the municipality's capital budget. However, projects scheduled to begin in years 2, 3, 4, and 5 may be rescheduled with apparent ease to allow municipalities to "fit in" previously unidentified projects.

Where project mobility is relatively high the following issue warrants consideration.

> Does the process used to identify needed and desired capital projects provide for a sufficiently rigorous assessment of the political and technical merits of projects to minimize project mobility?

A frequently offered rationale for 'project mobility' is the need for flexibility in responding to unanticipated developments. Nevertheless, workshop participants expressed the view that capital works commencing in years 2-5 are generally

subject to less rigorous scrutiny by councils and staff than work scheduled to start in the first year of the budget. Reasons offered for minimal scrutiny include: the longer-term (i.e. five-year) perspective contained in the capital budget; the greater complexity of the funding elements associated with capital projects (current levies, subsidies, development levies, debentures, etc.); the technical nature of the majority of capital projects; and, the 'debatability' of the assumptions inherent in producing the longer-term estimates.

Given the existence of political and staff expectations for previously approved capital spending plans, high 'project mobility' was noted as having a disruptive effect on the planning process. In an effort to minimize this source of planning instability, the Region of Peel has instituted a general prohibition against "parachuting" capital projects into years 1-3 of approved capital spending plans.

Prioritization Techniques

All participants recognized the need to prioritize individual projects during the project selection process. Prioritization is required since the total cost of possible and desirable capital works typically exceed the available funding. Participants also indicated that prioritization techniques vary widely among municipalities and among departments within a given municipality. Consideration of prioritization activities evoked a very extensive discussion and raised the following issue.

> Under what circumstances are various prioritization techniques preferred approaches to choosing capital projects within a functional area and between different functional areas?

Presentations indicated that the most frequently encountered prioritization procedures can be characterized as being 'subjective' rather than 'objective'. 'Subjective' prioritization selects projects on the basis of technical studies, departmental negotiations and political and intuitive considerations and does <u>not</u> assign numerical rankings to individual projects. Where this approach prevails, there is frequently a need for an "honest broker" to serve as an intermediary between the various operating departments and between operating departments and council. Often this role is filled by the senior financial officer or chief administrative officer (CAO) or his equivalent.

'Objective' prioritization reflects some or all of the above, subjective considerations and, in addition, arrives at a numerical, priority ranking for individual projects. Several objective techniques are available including that inherent in a zero-base approach to budgeting.

The City of Ottawa developed its own prioritization technique. Ottawa's approach rated projects on the basis of two dimensions, "priority of function" and "degree of urgency". A composite rating of these project characteristics and a policy guideline identifying the total capital spending in any year combined to identify projects for inclusion in a capital budget. One advantage of this two-dimensional approach to prioritization was that a project with a low functional priority, perhaps a cultural centre, could still receive capital funds if the project had a sufficiently high degree-of-urgency rating arising, for example, from the need to eliminate a safety hazard.

Since the introduction of its prioritization technique, Ottawa had identified a relatively stable "pattern of spending" across functional areas. Consequently, numerical rankings have been omitted from the prioritization process. Instead, "lump-sum" capital allocations are now made to various functional activities. Individuals responsible for these functions employ subjective approaches when prioritizing projects.

In the Region of Ottawa-Carleton a similar lump-sum allocation process exists. However, the pattern of spending there has undergone substantial changes with functional priorities shifting from "hard services and the environment" to "transportation". As a result, in 1982 the majority of capital funds (approximately 60%) was allocated to improving the regional transporation system.

Clearly, a benefit-cost comparison is associated with introducing objective priority setting to the municipal capital spending process. However, it is not evident that the time and dollar costs (direct and indirect) of 'objective' prioritization are significantly greater than those resulting from a 'subjective approach'. Certainly, costs are more 'visible' with objective prioritization. However, potentially offsetting any cost differential is the major benefit of objective prioritization; namely, the provision of a rational framework for debate and choice.

Approving Projects

While project identification is an on-going activity, participants indicated that lists of projects for inclusion in the capital budget are solicited from departments/functions as early as the third quarter of the calendar year. Some municipalities process these submissions and obtain council approval by year-end; most obtain approval before the end of the first quarter of the budget year.

It became apparent that the processing of capital budget submissions could be either an arduous activity for staff and elected members or essentially a 'rubber-stamping' exercise. The issue which dominated the consideration of budgetary approvals can be stated as:

> How many reviews, conducted by whom, are essential for a rigorous appraisal of the expected effectiveness and efficency of proposed capital works projects?

A major (if not primary) factor to be considered in resolving this issue was identified as the municipality's organizational structure. While structure has already been implicated in resolving a project selection issue it is similarily important during the review phase of the capital works process.

Most fundamentally, the complexity of an organization's management structure can substantially influence the time required to process lists of proposed capital works and obtain council approval. A typical first-stage event in the review process involves a functional/departmental committee, with or without political representation, preparing a departmental consolidation of project proposals. Subsequently, departmental submissions may undergo a corporate consolidation (performed by the finance function) which may be submitted directly to council. Alternatively, a committee of department heads, with or without a CAO or equivalent, and, with or without political representation, may review and modify the submissions and then forward a consolidated proposal to a committee of council, board of control, or directly to council. Clearly there a large number of permutations possible for reviewing capital works proposals.

Of the participating municipalities, only Ottawa indicated that the processing of its capital works submission had changed radically during the last ten years. This change had occurred as the result of a reorganization following the

introduction of regional government. However, not all changes in reviewing capital works submission are as dramatic as a major reorganization. Peel has recently added political representation to a previously 'staff-only' review committee to identify political perspectives before sending a consolidated capital program to council.

Summary

A considerable degree of interdependence exists between the issues involving project identification, prioritization and approval. Essential to the resolution of these issues in a particular municipal setting is an increased concern for, and involvement with, capital works processing by elected members and staff. Of course, administrative processes and structure may either facilitate or hinder an increased and improved contribution by municipal policy-makers to the efficient and effective processing of capital works projects.

C. MANAGEMENT OF CAPITAL WORKS

Administrative activities associated with managing approved projects and programs were a third major focus of the workshop. In particular, two features of these management activities were the subject of considerable interest and discussion: (1) identification of the operating implications of capital projects; and (2) reporting on the status of these projects. The issues which these features raised are outlined below.

Operating Implications

Participants emphasized the importance of indentifying-at an early stage-not only the 'capital' costs associated with capital works, but also the 'operating' costs that they would add to future operating budgets. The early identification of expected operating implications was viewed as a necessary input for decision-making at the staff and council levels during project selection and review activities. Furthermore, a comprehensive integration of capital and operating costs was noted as a prerequisite to the development of a practical financial planning model for the municipality.

The Borough of Scarborough reported that some of its capital projects underwent analysis to determine their expected benefits as well as their costs. Data such as these have the added feature of providing a comprehensive basis for an accountability relationship between a department proposing capital works and council. A clearly defined set of cost and benefit expectations for capital projects was considered necessary to avoid "surprises" in later years and to add rigour to the analysis, selection, and review of capital works.

Two related issues arose from the recognition of the need to identify future financial and other implications of capital works.

(a) In what detail, and in what time frame, is it necessary and desirable to identify the operating costs and expected benefits of capital works?

(b) What staffing and dollar resources could be required to generate these data?

Currently, municipalities generate various operating cost data for capital projects. Also, in working towards the integration of the capital and operating budgets, most municipalities routinely charge temporary borrowing costs to current operations as opposed to capitalizing these costs.

Other municipalities (some with administratively identified budget sections) take the identification and integration of operating costs further. For example, the City of Toronto requires departments to identify all of a capital project's operating costs in each year of its five-year capital budget. Proceeding further, the Region of Peel is developing a computer-based model (COMPASS) to generate "proforma" operating budgets (for five years) which incorporate the effects of capital works. It was noted that the very existence of such a model requires financial planners to seek future-oriented data and assumptions from operating staff and council which might otherwise not be forthcoming.

Project Supervision and Reporting

Project supervision is uniformly a staff responsibility involving the initiation, the monitoring control, and reporting on the physical and financial progress, of approved projects. Following council approval of the capital budget, the municipality's financial and legal functions are typically assigned responsibility for

obtaining senior-level government (where applicable) and O.M.B. approvals. Where project management is decentralized, department heads are often delegated the responsibility to authorize the initiation of approved projects - within limits - and subject to the availability of funds. The department originating the project assumes responsibility for assigning a 'project manager' to coordinate activity and to report on the project as necessary. Where more than one department is significantly involved in a capital project (e.g. downtown redevelopment) a committee - possibly including elected members - may be established to oversee the planning and completion of the work. In this context, issues can arise dealing with the involvement of elected members in the reporting structure.

> What guidelines on reporting project progress to council might be included in municipal policy statements?

Some participants advised of formal reporting to council at the start and completion of projects and at various periods throughout the life of the project; others indicated virtually no reporting to council. In many municipalities council receives project reports only on a largely undefined "exception" basis when "significant" delays or cost overruns become apparent.

All participants indicated that various status reports were generated for use by staff, project managers and council. There is a remarkable diversity in the content, 'readability' and availability of these reports for similar types of projects in different municipalities. A review of the progress reports submitted during the workshop raises a second reporting issue.

> What types of data and information (in which format) are necessary to provide project managers, staff and council with a fully-informed basis for evaluating the progress and effectiveness of capital works activities?

Sample documentation, provided during the workshop, reported on the physical and/or financial progress of projects on a weekly, monthly, or more infrequent basis. The uniqueness of the data contained in the reports from different municipalities was attributed to the varying capabilities of municipal computer systems and the often transitory nature of council's interest in obtaining more detailed information. Participants noted that there are considerable difficulties to overcome in obtaining progress reports which adequately integrate the reporting of both physical and financial progress of capital projects on a timely basis.

Summary

Project management is a feature of capital works management systems which offers a considerable potential for rationalization on a functional basis. The acknowledged necessity for identifying: the operating implications of capital works; the content of progress reports; and, the circumstance for council involvement in project management all raise issues for which 'standardized' practices and guidelines appear to be feasible. The highly similar nature of many types of capital works clearly suggests a potential for at-least similar-size municipalities to participate in developing uniform policies and practices for managing capital works activities.

D. PROBLEM AREAS

Participants noted a broad range of problem areas and needed improvements in the management of capital works systems. Many of these are reflected in the issues identified throughout this report. However, to do justice to the scope of participants' concerns, their comments have been extracted from presentations, broadly categorized and reported below.

The Content of A Capital Works Program

> "Does the capital budget adequately reflect the needs of the municipality? Is there too much emphasis on the needs of developing areas and too little on the needs of the developed? Should the municipality use survey techniques to find out more about what the citizens want?"
>
> "Do the capital service-level goals reflect the changing needs of the community? Is the municipality anticipating what will be required tomorrow or simply providing more of what was demanded yesterday?"
>
> "Prioritization of lands to be released for development is quite politicized -our capital program is therefore dependent upon decisions which we do not fully control - entire question of whether we can afford growth often enters budget deliberations."
>
> "The sewer and water system budget is not totally within our control although we do have a very good working relationship with the provincial staff responsible."

"Improve: The 'linkage' between official plans and the capital program and the scheduling of capital works to recognize community expectations regarding the timing of capital works."
"Increase citizen participation in the capital budgeting process."

Processing Capital Projects

"Is there sufficient political involvement in the capital process? Should there be more participation by various committees? (At present the committees are not very active.)"

"Is there sufficient senior staff involvement in the setting of overall priorities and making funding decisions? Should the process be broadened to include senior management in decisions about what the funding priorities should be?"

"Enhancements include: a prioritized ranking approach; cost-benefit ranking; financial planning framework (econometric modelling, assessment projections and policy development); quarterly status reports on capital projects; 5-year reserve projections; cost-inflated 5-year capital program; computerizing the number crunching."

"Should capital proposals be ranked on a global basis or is the present practice of considering funding trade-offs between one program and another in marginal terms (one more bus vs. one more local road) adequate for raising the pertinent issues?"

"Terminology confuses council. Such terms as capital authority, net debenture authority, contributions to capital, etc., are very confusing to staff and council."

"By virtue of the council dealing with capital programs on a project basis and because of the fund anomaly in municipal accounting, specific conclusions as to the effect on the municipality's levy are difficult to distinguish. In some instances, the effects of financing, eg., debt charges, ongoing maintenance costs, and other associated capital costs which will affect the levy only appear after the project has been considered and approved."

Management of Capital Works

"What are the long-term operating implications of the service goals set out in the municipality's development levy policy? Can the municipality afford to maintain this level of service indefinitely? Will it be able to provide for the ultimate replacement costs of these facilities?"

"Still need to refine the current budget implications of some capital projects - difficult for program managers to estimate."

"Immediate concerns:

.. greater integration of the current and capital budgets;

.. consolidation and standarization of policies and procedures guiding the capital process;

.. clearer identification of the relationship between capital budget allocations and the community needs to which they are seeking to respond;

.. more formal and routine review of the capital budget cycle by council, the city manager and the departments."

"Cash flow forecasting of our capital spending - difficult when outside contractors do majority of the work or where we simply make grants."

"The Finance Department's accounting system is not presently providing information in a usable form for direct interface with other departmental systems. Subsequently, separate records are created by those departments which results in some duplication."

"The interaction with the O.M.B. (its requirements) and the reporting by municipalities requires a re-definition to eliminate uncertainties when dealing with capital project approvals."

"What refinements of internal controls and procedures are most urgently needed? Should responsibility for monitoring and control of capital works be decentralized (with departments) or centralized (council/manager/finance)? Should there be a more formalized review of completed capital works in terms of their achievement of objectives in relation to

.. budget?

.. use of the facility (and the future need for others)?

.. the original stated purpose of the project?"

"Areas of improvement: Inter-departmental cooperation; accommodating changing attitudes (re-thinking major facility construction); emphasizing long-term perspectives; fine-tuning the management process (in-house financial information systems committees); comprehensive internal operational audit; expanding maintenance management."

"Follow-up to council after projects are completed and in service are infrequent. There are no regular reports to wrap-up the project's operating success, financial status or ongoing cost considerations."

SUMMARY AND CONCLUSIONS

This publication emerged from a workshop attended by representatives of municipalities having, and developing, progressive capital works management

systems. While not all issues raised during the workshop are dealt with, the objective is to focus on those major issues which appear central to the establishment of an effective system for managing capital works. It is believed the system should adequately address and resolve - in a manner appropriate for each municipality - those issues involving: (1) the content of its capital works program; (2) the processing of capital works proposals; and, (3) the management of capital works activities.

To effectively manage capital works activities, a locally-designed system for managing capital works activities will provide for:

1. A thorough consideration of the extent to which provincial, private-sector and citizen interests will be accommodated in capital spending plans.

2. A fully-informed review of alternate debt levels.

3. A mechanism to incorporate 'on a timely basis' both technical and citizen concerns in the selection of capital projects.

4. A process of evaluating the technical and citizen requirements for capital works which minimize 'project mobility' without compromising needed flexibility.

5. Increased use of "objective" prioritization techniques.

6. An organizational structure and timetable for reviewing capital budget proposals, which adequately challenge proposals, without delaying decision-making.

7. Early identification of the future cost and benefit implications of capital projects for operational spending.

8. Policy guidelines for staff regarding monitoring and reporting of project progress to council.

9. Sound management information procedures that report useful data to project managers, staff and council for the evaluation and effectiveness of capital projects.

In conclusion, the workshop demonstrated that many of the foregoing features of a capital works management system have been successfully tailored to the particular circumstances of each municipality. Given the broad base that now exists, a clear potential exists to share municipal expertise to advance the development of capital works management systems in local government.

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